torwest resources (1962) Ltd. (N.P.L.)

seventh annual report

AR24

Mr. Doherty

torwest resources (1962) LTD. (N.P.L.)

directors

Officers

W. E. Garnett — President
A. R. Hanna — Vice-President
R. W. Falkins — Secretary-Treasurer

Directors

R. W. Falkins
W. E. Garnett
A. R. Hanna
Raymond Hunstone
S. J. O. McClay

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report of the directors

DATED FEB 22, 1965
AND CALLED 9th ANNUAL
REPORT of a 1962 COMPANY

statutory information

Capitalization
Authorized 7,500,000 shares

Issued and Fully Paid
5,400,000 shares

Transfer Agent
National Trust Company, Limited,
510 Burrard Street,
Vancouver 1, B.C.

Barristers & Solicitors
Shulman, Tupper, Worrall, Jonsson & Laxton,
404 - 510 West Hastings Street,
Vancouver 2, B.C.

Registered Office
404 - 510 West Hastings Street,
Vancouver 2, B.C.

Administrative Office
702 - 850 West Hastings Street,
Vancouver 1, B.C.

report of the directors

DATED FEB 22, 1965
AND CALLED 9th ANNUAL
REPORT OF [illegible] 1962 COMPANY

On behalf of the officers and directors of the Company, it gives me considerable pleasure to present to you the Seventh Annual Report of TORWEST RESOURCES (1962) LTD. (N.P.L.). In perusing the pages and chapters of this Report you will discover that we have taken a small departure from the usual form of presentation, to include a taste of history, in addition to the traditional and required reports of our auditors and Company geologists. The inclusion of history is not without purpose, as we will mention further.

It is appropriate to announce here the appointment of two additional directors in the persons of Mr. S. J. O. McClay and Mr. Raymond Hunstone, both of whom bring to our organization a wealth of experience and knowledge, at a time when the accelerating pace of our own undertakings as well as the apparent expansion of the mining industry as a whole, dictates the need for authoritative direction.

It is not my intention to burden this portion of the Report with statistics and minute particulars. The report of the Auditors deals clearly and in detail with the fiscal matters related to the operating company, and gives proper insight into the business principles governing the administration, management and financing procedures to be utilized in bringing the Rossland property to production.

We invite your close scrutiny of the McDonald, Currie & Co. report in which the source of funds, and their application to the projects at hand, is examined in some depth.

Of equal interest will be the report of the Company geologist elaborating on the technical reasons for pursuing a specific program of exploration in the Trail Creek area — leading to the development of another producing mine in British Columbia.

With these detailed reports to refer to, my comments can be of a more generally-analytical nature, and it is with deep gratification that I can observe the fiscal year under review to be one of progress marked by a sound financial position and exploration results of the most encouraging kind. TORWEST, by effort as much as design, has emerged as one of the leading exploration companies in this Province, at a time when the Mining Industry has entered a new and dramatic phase of development. Exploration, with its new devices and techniques, becomes more than ever in this age the key to successful mining development. Coupled with this is the need to relate mineral production to world markets, and the changing needs of modern technology for the wide range of minerals in this province waiting to be unlocked and put to use.

Our task, for these reasons has been a multiple one, and we have pursued it with enthusiasm and all the skill we can command, negotiating for and exploring desirable properties in the light of our continuing surveillance of existing and growing world markets.

It occurred to us that many of our shareholders, while not entirely conversant with the technical and financial intricacies characteristic of the exploration and development of mining properties, are nevertheless vitally-interested in the broader aspects of the industry. We stated that British Columbia is entering another, perhaps the most important, phase of its mineral development, and this may cause some to wonder about the nature of the evolution leading to the present state of the industry.

Mining has not developed by accident, nor has it been an easy process. In company with the forest industry in this province, mining has always been conditioned by the word "accessible." Trees inaccessible to the logger a hundred years ago, are accessible today because modern technology has made it possible. The same can be said of our mineral wealth — with the additional observation that vast areas of the province have yet to yield the secret of their mineral wealth, while the forest resource is virtually a known quantity.

All the more reason then for the emphasis on mining exploration. Many of the most important doors have yet to be opened. To give emphasis to this fact — and to remind ourselves that others went before us and worked mightily to render the inaccessible — accessible and profitable — we chose to include in this Report a brief chronological history of mining in the Rossland-Trail area, where we are presently conducting exploration and development.

Remembering that this is an historic outline of but one small region of the province, we must remind ourselves also that the history of mining in British Columbia is being written today, larger and more significantly than ever before. It is entirely appropriate to expect TORWEST to figure prominently and successfully in the chapters yet to be penned.

In keeping with the Company's policy to continue with its program of exploration, we have entered into an agreement to explore property in Northern Saskatchewan. This was reported to you recently in a letter to the shareholders.

On March 2nd, 1965, The Hon. A. C. Cameron, Minister of Mines for the Province of Saskatchewan, announced in Regina that he had signed an agreement whereby his government would put up dollar for dollar with TORWEST — to a maximum amount of $50,000 for the exploration of nickel properties in 1965. Under the terms of the agreement the Saskatchewan government will recover its investment when a mine or mines are put into production.

Finally, this Report would not be complete without some form of tribute paid to all those within the TORWEST organization who have contributed to the success of the year under review. To single out individuals or groups for commendation would be to create an inaccurate impression. Ours has been a team effort in the truest sense of the word. Directors and employees, including our geological people, field staff, and administrative staff have done their utmost to advance the position of the Company in every area of operation.

Yours truly,

WE Garnett

W. E. Garnett,
President

A HISTORY **rossland and the trail creek area**

Joe Moris first saw his mountain in the spring of 1890. He and a man named Bordeaux had gone to the headwaters of Trail Creek to do assessment work on the Lily May claim. The mountain loomed across the valley, its slope red in the sunlight. Joe Moris, prospector, knew he had to get there. On his first try to reach Red Mountain, Moris came across likely looking ground and became sidetracked while he staked a claim.

Then his boss defaulted on his wages and Moris had to go to work in someone else's mine. He worked 17½ shifts — just enough for a grubstake — and went back to Red Mountain. There he joined a prospector named Bourgeois and on July 2, 1890, they hammered stakes which were to open one of the richest ore bodies in the country. The mines they staked they called Centre Star, War Eagle, Idaho and Virginia. That gave them two claims apiece — all the law allowed. Just before they left for Nelson and the assay office, Joe Moris punched in two more stakes on the western extension of Centre Star.

In Nelson, they found their samples were not rich. Neither wanted to lay out the money for recording the claims. So they put a proposition to E. S. Topping, deputy recorder:

If Mr. Topping would pay for recording the claims, they would give him the extension off Centre Star. Topping looked over the ground, liked it and took them up on the proposal. He named the claim Le Roi and left for Spokane to raise the money to work it. Thus did Topping, a middle-aged poet, author, sailor and mining executive, become the owner of one of the richest and most controversial gold mines in the country. It cost him just $12.50 in recorder's fees.

On the train to Spokane, Topping met Col. W. W. Ridpath and lawyer George Forster. A corporation was formed to take 16/30ths of the Le Roi claim for $16,000 plus a guarantee to perform assessment work to the value of $3,000 before the following summer.

The syndicate included George Turner, Col. I. N. Peyton, Col. W. W. Turner, Oliver Durant, Col. Ridpath, Alex Tarbet, Forster and F. Graves. Later, W. J. Harris came in. Subsequently, Col. Peyton bought the remaining shares from Topping.

When the development work began, prospectors poured into the hills at the junction of Trail Creek and the Columbia River. One of them was Ross Thompson, aged 27, who came by way of Seattle, Butte, Great Falls, Bonner's Ferry and Nelson. He built The Fortress, one of the first cabins in the area and pre-empted 160 acres for a townsite. The district became a camp, then a town, and the miners called it Thompson. The postal authorities balked — they already had a Thompson on the books — and the name was changed to Rossland. Actual development of the area was slow for the first two years. The only able-bodied men in the district were prospectors and not interested in working someone else's claim. Transportation was a problem which kept the cost of supplies high.

In the meantime, Joe Moris sold his Centre Star claim to Oliver Durant of the Le Roi syndicate. War Eagle was bonded by Durant and Tarbet, to be bonded again soon after to the Pyritic Smelting Company of San Francisco. Pyritic took one look and gave up. But the Le Roi was shipping ore. It went out slowly, by mule-back seven miles to Trail Creek Landing, where Topping had staked out a townsite. From there it went by riverboat to the Little Dalles for trans-shipment to the smelter at Butte, Montana. Gradually, more ore was found. Mules gave way to wagons. More miners and prospectors came in and behind them came the merchants. Tents gave way to shacks and cabins. The trail into the Le Roi property was widened into a rowdy business district called Sourdough Alley.

Moris and Bourgeois had bonded the War Eagle to several firms after the experience with Pyritic. In 1894, Patsy Clark of Spokane took it over for $17,500.

Into the turbulence moved the agents of Fritz Heinze, at 24 already a legend in United States mining and financial circles. A smelter was needed to make the mining more economical. Rail links were needed to move the ore to the smelter. By 1894, Heinze had arranged for a third of the Trail townsite for a smelter; he had surveyed a tramway route from Rossland to Trail; a contract had been concluded with the Le Roi management to treat 75,000 tons of ore. War Eagle, under its new management, found a huge new chute of ore and in 1895 paid a dividend of $27,000 —the first ever paid by a Rossland mine.

People began to move in. The majority of the miners and merchants were Americans. Even well into the 20th Century, the one big annual celebration in the area fell on the Fourth of July. But there were French-Canadians, Cornishmen, Irish, Spanish, Serbs, Croats and Scandinavians all outnumbering the Anglo-Saxons on the mine payrolls. From 1894 through 1895 they swelled the population of Rossland from 300 to 3,000.

Men of substance came in — Fighting Joe Martin, former premier of Manitoba; T. Mayne Daly, minister of the interior under Sir John A. McDonald; Smith Curtis, later B.C. mines minister and James Dunn, who was to become chief justice of Canada.

MACDONALD

Capital poured in and consolidation began. War Eagle. Ironmask, Virginia and Poorman mines grouped together; so did the Centre Star and the Idaho; also the Josie, Monte Cristo, St. Elmo and Mayflower. In September, 1895, ground was broken for the Trail smelter. Some 200 men were at work on the buildings. Contracts were let for 25,000 cords of wood to burn in the smelter furnaces. Bids were called for on the Rossland-Trail tramway. The following February, the first furnace was blown in at the smelter. By July 1, 1896, 27,085 tons of ore had been smelted from the Le Roi, War Eagle, Ironmask, Poorman, Josie, Cliff and Evening Star. From it came gold, silver and copper worth $1,007,007.

That winter, the tramway was completed. On March 2, 1897, Rossland was incorporated as a city. And that was the year the Le Roi built its own smelter in Northport, Wash. By October, the company was smelting its ore there.

Meanwhile, in London, Eng., a company was formed to be called the British American Corporation. It was to acquire mining property in B.C. BAC bought control of the Josie, Great Western, Columbia and Kootenay, Poorman, Nickel Plate and West Le Roi. The move touched off an international legal battle. The BAC held that, as majority shareholder, it was entitled to operate and conduct the business of the Le Roi mine; the minority shareholders in Spokane insisted that the company — registered in Washington — was not affected by British law. The laws of Washington state held that no alien could hold property within the state. This gave the minority group control over the Northport smelter and the company offices in Spokane. The fight for control lasted three years, years during which the population of Rossland grew to 7,000. Then the majority group had the mine put into receivership while charges that the mine was being "gutted" were investigated.

The Le Roi had been shipping more than 350 tons of ore a day to Northport and the suspicion was that the high rate of production was to get as much ore out of Canadian jurisdiction as possible. It was also charged that development work was being neglected. The dispute ended quietly when the minority group surrendered its shares to the BAC, leaving the corporation in control.

In the meantime, the Rossland Light and Water Company was formed with Spokane capital and electric lights winked on in the stores along Columbia Avenue, Spokane Street and Sourdough Alley. Next came the West Kootenay Power and Light Company, bringing electricity to the mines.

By now, Rossland had two railroads, the Trail Creek Tramway carrying ore down to the landing and the standard-gauge Red Mountain Railroad to Northport. Heinze began to look West. He applied for a charter to continue a railroad around Red Mountain and across Sheep Creek out over the pass used by Dewdney in laying out his trail. The move would take the railroad into the Okanagan. He was granted a provincial charter and land of 10,240 acres for each mile of narrow-gauge track laid; for each mile of standard-gauge track, the acreage was to be 20,000. Heinze called his proposed road the Columbia and Western and went to London to seek British financing. He failed.

At this time, the CPR was working out a southern route across B.C. to the coast, through the Crows Nest Pass. The pass was the most practical grade and took the trains through coal country, assuring cheap fuel for the smelters. From Robson, it was planned for the Crows Nest Pass route to follow the Columbia to Trail, then transfer to tramway trackage to Rossland. Heinze kept fighting. He obtained a charter to build from Trail to Robson and now was in a position to join his lines to those of the Red Mountain and Spokane Falls and Northern. If money was available, he could still continue his Columbia and Western toward the Pacific Coast. By September, 1897, the Robson-Trail link was completed. However, Heinze found his involved affairs in Montana were calling for more capital and more attention. He offered his smelter, the railroads and charters and his mining interests to the CPR. The asking price was rumored to be $2,000,000. The CPR called in Walter Hull Aldridge, 30, brilliant, Brooklyn-born mining engineer and gave him a relatively free hand to deal with Heinze. Aldridge let it be known he was looking over another smelter site — possibly the CPR could do without the Trail plant. Heinze, who had had an earlier understanding with the CPR over his possessions, threatened to sue; Aldridge sat tight and prepared to go to court. Then Heinze offered to play poker for the holdings. Aldridge turned him down. The two agreed on J. S. C. Fraser, manager of the Rossland branch of the Bank of Montreal, as arbiter. The bargaining lasted all night. When it ended, the CPR owned all the Heinze holdings — total price, $800,000. Heinze left for the U.S. and amassed a $50,000,000 fortune, only to lose it on Wall Street. Walter Aldridge took over the Trail smelter — now called the Canadian Smelting Works — on March 1, 1898, and walked into a difficult situation. The gold rush to the Yukon had pulled many men from the district and the smelter suffered from a labor shortage. In 1899, the miners won an eight-hour day and the mines needed a third more men to operate.

In the meantime, the War Eagle was acquired by Toronto interests — W. G. Gooderham, T. G. Blackstock, G. A. Cox, W. H. Beatty and A. E. Gooderham and the mine was merged with the Centre Star.

The acquisition of the Trail-Robson and Trail-Rossland roads by the CPR cut freight costs and made it possible for Aldridge to offer lower charges to Slocan and East Kootenay shippers. The Crows Nest route was completed, cutting the cost of screened coal and coke. The Mine Owners' Association fought for repeal of the eight-hour day and lost when the miners proved they could produce more ore in eight hours than they had in ten.

Aldridge built the first Canadian lead refinery and ran it in conjunction with the smelter. This was the scene when the Le Roi mine rocketed back into prominence in 1901. The London and Globe Finance Company, which backed the BAC, had made unfortunate investments and the rumor spread that some of its subsidiaries were in difficulties. A public examination was ordered into the affairs of the Le Roi company. In addition, the miners were swept by internecine strife and went on strike. Ottawa sent W. L. Mackenzie King, deputy labor minister, to investigate. He advised the miners to call off the strike and get back to work. The miners advised W. L. Mackenzie King to get back to Ottawa. The miners went to the minority shareholders of Le Roi and asked for an investigation of the mine's affairs. A mining engineer named Frecheville was sent in. His report resulted in charges of fraud against British financier Whittaker Wright, a top figure in London and Globe. Wright, extradited from New York to London, was convicted and sentenced to a seven-year term he never served. Wright swallowed poison on the way to prison. Le Roi directors called in John H. MacKenzie of San Francisco to take charge of the mine. He called in the men and — after nine months of bitterness — the dispute was settled.

In the summer of 1902, shareholders of Le Roi formed a committee to investigate the company's affairs. A. J. McMillan was appointed managing director and the Le Roi settled down to businesslike operation. Now, under the guidance of Aldridge, the talk turned to amalgamation and consolidation. It took three years, but in 1905, results began to show. Agreement was reached, between the War Eagle and Centre Star and Aldridge, that an examination be made to estimate tonnage figures as a basis for amalgamation.

The St. Eugene Consolidated Mining Company went along. John MacKenzie of Le Roi agreed to recommend that the BAC assist in the examination with a view to becoming party to consolidation. A report was turned in unanimously recommending amalgamation and outlining the basis upon which it should come about. But again it was the Le Roi company which upset proceedings. McMillan organized opposition among minority shareholders of BAC in England and amalgamation went ahead without Le Roi. St. Eugene, Centre Star, War Eagle, Canadian Smelting Works and the Rossland Power Company signed up and registered as Canadian Consolidated Mines Limited. As the enterprise also included smelting, the name was changed a few months later to The Consolidated Mining and Smelting Company of Canada Limited.

Cominco began operations with a total capital of $5,500,000 of which $4,498,888 in stock was issued and $801,112 in stock remained in the treasury. Cash working capital of $596,669.57 was invested in ores and products in process of treatment and in transit. There were liquid asests of fuel, fluxes and supplies valued at $202,220.43. W. D. Mathews, president of the Dominion Bank of Canada, was named president. Vice-president George Sumner and E. B. Osler were directors. Now, as Walter Aldridge wrote in his report: "The Consolidated Mining and Smelting Company of

Canada is not dependent upon any single mine, nor upon any single mining district; but its interests and business, besides being to an extent industrial, will be so diversified as to minimize, as far as possible, the speculative element."

Aldridge was named managing director. Now it appeared that consolidation would mean a steady and increasing production from the mines and acceleration of output from the smelter. West Kootenay Power and Light Company built a new plant a mile above its first operation. Lorne Campbell, boss of West Kootenay, took control of the Cascade Power and Light Company's hydro plant on the Kettle River in 1907 to make his company one of the largest power producers in Western Canada.

But Consolidated had to keep looking ahead. Red Mountain was fast being worked out and the company shifted its ore-supply emphasis from Rossland to Moyie and the St. Eugene mine. In 1909 it examined, then optioned, then bought the great Sullivan mine at Kimberley. In 1910, Aldridge resigned to take over the Inspiration Mine in Arizona for a New York company. During 1912, 1913 and 1914, the emphasis was on expansion. The Le Roi came into the fold during this period. At the outbreak of the First World War, J. J. Warren was appointed managing director of Consolidated with the job of extending and broadening the company's sales organization. Negotiations began with British, Russian and Japanese governments. The problem of refining zinc, a metal in desparately short supply, was tackled. During the war, Consolidated became the world's leading producer of base metals. In 1918, President Mathews reported, total value of the company's production exceeded $10,500,000. Mathews died the following year and Warren succeeded him. Now, with the world war over, Consolidated entered upon one of the most taxing years in its history. The metal market declined, the labor situation was unstable and inflation shot up the price of material and equipment.

By 1920 the Red Mountain Railway was abandoned. By 1929, Le Roi, Centre Star and other mines had closed. But gold was still $35 an ounce and in 1932 miners began leasing Rossland properties from C.M. & S. Gold-mining became almost a cottage industry. O.K. Mountain properties became active this way. So did IXL, Midnight, Gold Drop, Golden Butterfly and Snowdrop. Each gave employment to groups of two or three men. Both Evening Star and Velvet shipped 80 tons of ore. By 1933, in the depth of the depression, gold output was the largest since 1925 and more than 100 men were working on 31 leases. Famous mines such as Ironmask, Centre Star, War Eagle, Josie 1 and 2, Le Roi, Black Bear, Annie and Columbia Kootenay began to yield gold again. More than 10,000 tons of ore was shipped to the Trail smelter in 1933. Value was approximately $225,000. By 1934, some 350 men were at work on 60 properties. Output for the year was $1,000,000.

As the depression began to lift in 1935, and with gold tonnage becoming too great to handle efficiently, C.M. & S. restricted the volume of shipments to the Trail smelter. All leases were withdrawn. Later, they were reissued on a different basis. Output in 1935 was 32,900 tons — $680,000 worth of gold and silver. By the time the Second World War came, the focus of activity had long since moved from Rossland down the hill to Trail. Rossland was becoming a bedroom suburb of neat, comfortable homes. War again bolstered the area's economy. Millions was spent for supplies; freight charges to the smelter passed the $10,000,000 mark. More than $1,000,000 was spent each year in prospecting and mine development; $2,000,000 went for coal and coke, contributing to the stability of Canadian mines.

After 50 years as a mining camp, consolidation and diversification were giving the area a new economic life. Where once the reason for existence had been raw ore, now there were power resources and varied and rich raw materials and by-products such as the new chemical fertilizers.

The area is no longer dependent upon even the mighty Sullivan mine. But a mining area it remains, developing new methods of extracting and treating the bodies of ore which still lie in the shadow of Joe Moris' Red Mountain.

TORWEST RESOURCES (1962 LTD.) (Non-Personal Liability)

assets

CURRENT ASSETS		
Cash	192,260	
Accounts receivable	10,807	
Prepaid expenses and advances	15,367	218,434
INVESTMENT IN AND ADVANCES TO WHOLLY-OWNED SUBSIDIARY COMPANY (note 1)		141
OTHER INVESTMENTS (note 2)		15,612
MINING PROPERTIES (notes 3, 4 and 5)		
Mineral claims being acquired under options	90,500	
Less: Unpaid on options	71,700	
	18,800	
Mineral claims — other	174,643	193,443
FIXED ASSETS — at cost (note 6)		
Buildings and equipment		122,769
DEFERRED COSTS		
Organization costs	4,763	
Exploration, development and administrative costs — per Schedule "1"	1,592,683	1,597,446
		$2,147,845

The accompanying notes 1 to 9 form an integral part hereof.

balance sheet as at November 30, 1964

liabilities

Accounts payable and accrued liabilities				23,429

shareholders' equity

CAPITAL STOCK (note 7)				
Authorized —				
7,500,000 common shares of no par value, with a maximum price of $2 per share			—	
Issued and fully paid —				
4,219,647 shares for cash			1,936,314	
1,180,353 shares for properties			256,660	
5,400,000				
Shares committed to be issued —				
500,000 shares for properties			5,000	
5,900,000			2,197,974	
DEFICIT				
Balance at August 31, 1963		90,500		
Add: Mineral claims abandoned		19,909		
		110,409		
Less: Payment received for right to explore mineral claims	6,250			
Loss on disposal of fixed assets in prior years, transferred to deferred costs	30,601	36,851	73,558	2,124,416
				$2,147,845

SIGNED ON BEHALF OF THE BOARD:

"W. E. Garnett", President

"A. R. Hanna", Vice-President

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE FIFTEEN MONTHS ENDED NOVEMBER 30, 1964

Source of Funds			
Sale of 2,302,147 treasury shares for cash		715,859	
Sale of fixed asset		450	
Payment received for rights to explore mineral claims (note 4)		6,250	
Sale of mineral claims		12,112	734,671
Application of Funds			
Payment of amount due to Highland Securities Ltd.		10,622	
Advance to Groveland Enterprises Ltd.		78	
Investment in 150,000 shares of Silver Butte Mines Ltd. (N.P.L.) (note 2)		12,112	
Acquisition of mining properties —			
Payments on option agreements	38,300		
Purchase and staking of mineral claims	3,637	41,937	
Purchase of fixed assets		85,429	
Organization costs		3,127	
Exploration, development and administration costs — Schedule "1"	386,882		
Less: Non-current charges	7,698	379,184	532,489
Increase in Working Capital			202,182
Working Capital — September 1, 1963			(7,177)
Working Capital — November 30, 1964			$195,005

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Torwest Resources (1962) Ltd. (Non-Personal Liability) as at November 30, 1964, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet, supplemented by the accompanying notes and schedules, is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at November 30, 1964 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.
February 22, 1965 Chartered Accountants

Schedule "1"

EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE COSTS FOR THE FIFTEEN MONTHS ENDED NOVEMBER 30, 1964

Total to August 31, 1963		1,205,801
Period from September 1, 1963 to November 30, 1964		
Accounting, audit and legal	8,180	
Assaying and sampling	5,561	
Drilling expenses	155,650	
Geological and geophysical survey	5,222	
Insurance, licences and fees	1,454	
Line cutting and transit survey	11,315	
Management fees — Highland Securities Ltd.	27,000	
Office expenses	4,897	
Promotion and public relations	22,158	
Reports to shareholders	12,969	
Road building and maintenance	23,719	
Staking, survey and field expense	6,020	
Stripping and trenching	36,805	
Superintendence, engineering and consulting	23,549	
Transfer agent's fees and expenses	2,316	
Travelling and automobile	24,661	
Vehicle and equipment operation and rental	10,565	
Wages and wage assessments	1,763	
Loss on disposal of fixed assets	5,411	
	389,215	
Less: Administrative costs (unallocated) recovered from Metal Mines Ltd.	2,333	386,882
Total to November 30, 1964		$1,592,683

NOTES TO FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED
NOVEMBER 30, 1964

1. Investment in and Advances to Wholly-Owned Subsidiary Company

As at November 30, 1964, the Company had an investment in and advances to Groveland Enterprises Ltd., as follows:

Investment in ten shares — at cost	10
Advances	131
	$ 141

Groveland Enterprises Ltd. has not incurred any profits or losses during the fifteen months ended November 30, 1964.

2. Other Investments

As at November 30, 1964, the Company held the following investments:

Silver Butte Mines Ltd. (N.P.L.), 150,000 escrowed shares, quoted market value for free shares 14¢ bid per share, no quoted market value for escrowed shares. The shares were acquired in consideration for mineral claims sold to Silver Butte and the shares are recorded at the same cost as the mineral claims. 22,500 shares were released from escrow subsequent to November 30, 1964	12,112
3/10 of a 1% gross overriding royalty on British Columbia Petroleum and Natural Gas, Leases Nos. 3606-3615 inclusive, at cost, no market value available	3,500
Total	$15,612

3. Mining Properties

Mineral claims being acquired by the Company under option agreements are subject to satisfaction of the terms of the agreements by the Company as follows:

	Cost	Option(s) unpaid
Kamloops Mining Division — payable by way of 5% of all net smelter returns from the mineral claims until the full purchase price is paid	10,000	10,000
Omineca Mining Division — payable $3,300 in cash in 1965 with the balance of $16,000 payable by way of 10% of all net smelter returns from the mineral claims until the full purchase price is paid	20,500	19,300
Rossland Mining Division — payable $32,100 in periodic cash payments to 1966 with the balance due in eight annual instalments ending in 1974, all cash payments to be accelerated in the event of production therefrom. The purchase price of one of the mineral claims is subject to a continuing royalty of 25¢ per ton	60,000	42,400
Totals	$90,500	$71,700

The mineral claims in the Rossland Mining Division were acquired by the Company under the terms of an agreement with R. Hunstone Construction Ltd. dated January 9, 1964 which was altered or superseded by an agreement of November 30, 1964. The cost of these claims is as follows:

Cash	5,000
Assumption of unpaid balances of five option agreements assigned	50,000
500,000 treasury shares of the Company at 1¢ per share	5,000
Total	$60,000

In addition, the Company has agreed to pay Hunstone a share of the proceeds from future production of any mine on the property an amount not to exceed $750,000, payable out of profits in the percentages of from 7½% to 12% as specifically provided under the terms of the agreement.

All other mineral claims are owned outright by the Company, subject to interests being acquired by others (notes 4 and 5), with the exception of four mineral claims in the Rossland Mining Division in which the vendor has retained an undivided 10% carried interest.

The Company has granted an option to March 1, 1965 to sell two mineral claims in the Skeena Mining Division in consideration for $1 cash, 20% of the net smelter returns from the mineral claims and 100,000 shares in a company to be formed if the option is exercised.

4. Option to Lease Mining Property

Pursuant to the terms of a joint agreement dated September 16, 1963, the Company, as its part of the agreement, granted an option to the Anaconda Company (Canada) Ltd. to lease thirty-four mineral claims situate in Highland Valley, B.C. In consideration of the Company's interest in the option, Anaconda has paid the Company $6,250 thereby obtaining the right to continue exploration up to May 31, 1968 providing it makes expenditures on examination of the property as specified under the terms of the agreement. At any time prior to June 1, 1968, Anaconda has the option to lease the mineral claims for a term of twenty years. In the event that the option to lease is exercised, lease royalties are payable to the Company based on a sliding scale of percentages the net smelter returns as defined. The agreement provides for prepayment of royalties in specified amounts, the Company's share of which is $12,500 on commencement of the lease, $12,500 on the first anniversary, and the sums of $37,500 on each of the second and third anniversary dates. The agreement provides that Anaconda may incorporate a new company to hold the mineral claims, in which event, the Company would receive, for its interest, 6¼% of the common voting shares. The Company must then relinquish its right to the royalties aforesaid.

5. Exploration and Operating Agreement

Pursuant to the terms of a letter of intent dated September 17, 1964, the Company entered into an agreement with Metal Mines Limited (N.P.L.) on December 15, 1964 thereby granting

Metal Mines the right and option to explore, develop and place in production certain mineral claims in the Rossland Mining Division.

On February 15, 1965, Metal Mines gave formal notice of its election to place the mining property in commercial production and to furnish the monies necessary to do so.

Pursuant to the terms of the agreement:

(a) Metal Mines is obligated to incorporate an operating company authorized to issue 5,000,000 shares without nominal or par value, made up of 3,000,000 Class "A" common shares and 2,000,000 Class "B" common shares which shall rank pari passu in all respects except that:

- (i) special provision has been made as to dividends;
- (ii) the Class "B" shares will have the right to elect three of the five directors and the Class "A" shares will have the right to elect the remaining two directors.

The shares of the operating company are to be issued as follows:

3,000,000 Class "A" common shares to Torwest Resources (1962) Ltd. (N.P.L.) in consideration for the assignment of the mining property to the operating company.

2,000,000 Class "B" common shares to Metal Mines Limited (N.P.L.) in consideration for the expenditures made on the mining properties up to the date of the election to place the property in production.

(b) The operating company shall create an issue of 6% Income Debentures to be secured by a first mortgage on the mill, plant and lands and a floating charge on all other assets. The debentures shall be reserved for acquisition by Metal Mines in consideration for expenditures made for plant and equipment, including a mill, and other costs of placing the property in production. The interest on the debentures is not chargeable as an expense but shall be deemed to be a dividend.

(c) Distributable profits of the operating company (as defined) are to be calculated and paid on a quarterly basis and will be allocated as follows:

- (i) Until the whole of the interest and principal of the Income Debentures is paid: 80% to the holders of the Income Debentures, 12½% as dividends to Class "A" shareholders, and 7½% to Hunstone (see note 3) until $750,000 has been paid to Hunstone;
- (ii) After the Income Debentures are paid but so long as any part of the $750,000 remains payable to Hunstone: 12% to Hunstone, 48% as dividends to the Class "A" shareholders, and 40% as dividends to the Class "B" shareholders;
- (iii) Thereafter, the Class "A" and the Class "B" shareholders will rank 60% and 40% respectively as to dividends and any distribution of capital.

(d) Torwest granted to Metal Mines the exclusive option to purchase at any time or from time to time to September 17, 1967, all or any part of 1,000,000 treasury shares of the capital stock of Torwest at a price of $1.50 per share. Torwest agreed to reserve these shares for Metal Mines and covenanted not to alter its authorized capital in any way without the consent of Metal Mines.

(e) Torwest has agreed that, if it wishes to dispose of any of its interest in the operating company, Metal Mines shall have the first right to purchase up to 750,000 of the Class "A" shares for the price at which Torwest is prepared to to sell the same.

(f) International Nickel Company has the option to enter into an agreement to purchase the whole of the molybdenum concentrates produced for five years (with the option to renew for a further five years) at prices determined from the average prices per The Engineering and Mining Journal, payable in United States funds.

On February 16, 1965, Metal Mines gave notice that they had assigned one-half of all their right, title and interest in and to the agreement of December 15, 1964 to Canadian Nickel Company Limited.

The agreement of December 15, 1964 is to be filed with the Vancouver Stock Exchange.

6. Depreciation of Fixed Assets

In accordance with the accepted practice of Canadian mining companies of deferring any depreciation until the production period, no provision has been made for the depreciation of fixed assets to November 30, 1964.

7. Capital Stock

On September 17, 1964, the Company increased its authorized capital from 5,000,000 shares with a maximum price of 50¢ per share to 7,500,000 shares with a maximum price or consideration of $2 per share.

During the period from September 1, 1963 to November 30, 1964, the Company issued 2,302,147 treasury shares for a cash consideration of $715,859.

Pursuant to the terms of the Hunstone agreement (note 3), the Company had a commitment to issue 500,000 treasury shares as partial consideration for mineral properties. On December 23, 1964, the 500,000 shares were allotted at a price of 1¢ per share.

As at November 30, 1964, the Company had granted options to purchase 600,000 treasury shares in three lots of 200,000 shares each, exercisable on or before March 18, 1965, June 18, 1965 and September 18, 1965 at prices of 95¢, $1.20 and $1.45 per share respectively.

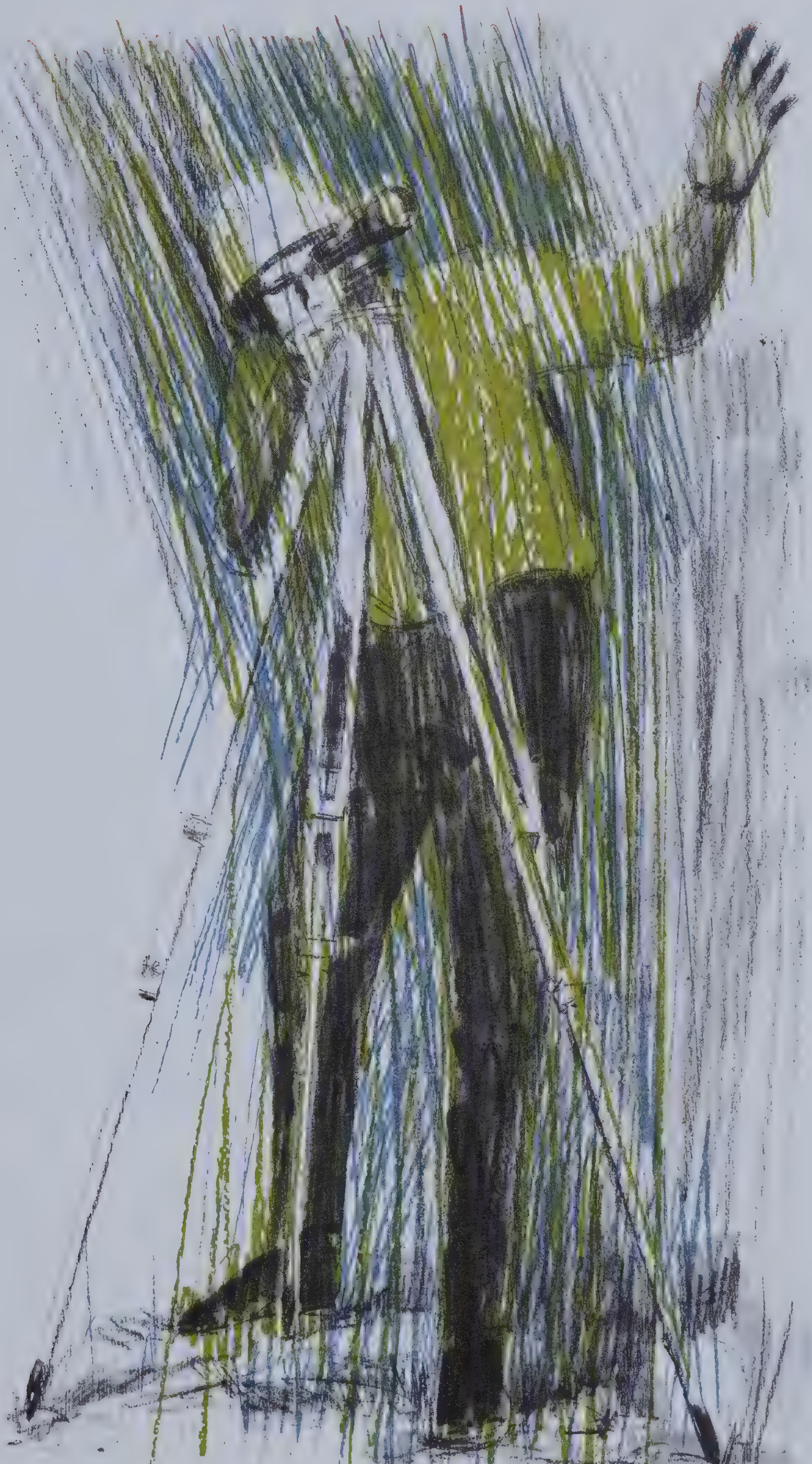
Pursuant to the terms of the Metal Mines agreement (note 5), the Company granted Metal Mines the option to purchase at any time or from time to time up to September 17, 1967, all or any part of 1,000,000 shares of the Company at a price of $1.50 per share.

8. Values

The amounts shown for investments, mining properties and exploration, development and administrative costs represent costs to date and are not intended to reflect present or future values.

9. General

Messrs. A. R. Hanna and R. W. Falkins, directors of the Company, are also principals of Highland Securities Ltd. and Highland Management Ltd.



engineer's report

The President and Directors,
Torwest Resources (1962) Ltd.,
404 - 409 Granville St.,
Vancouver 2, B.C.

Gentlemen:

I am sure that many of the shareholders are familiar with the history of the Rossland area. Like Barkerville, Cobalt and Elliott Lake, this camp has seen its boom times only to lapse, for economical reasons, into almost total obscurity.

In 1887, the first claim in the Rossland area, the Lily May, was recorded. It was relocated in 1889 by Oliver Bordeaux of Colville and Newlin Hoover of Nelson. While doing assessment work on this claim in the following year, prospectors staked the Center Star and the War Eagle. In order to finance their recordings of these claims, they sold the Le Roi claim, which they had additionally staked on the extension of the Centre Star, to the Deputy Recorder at Nelson, Mr. E. S. Topping. The struggles and the successes of the Le Roi mine fighting litigation, internal dissention and economic conditions is spectacular. In company with its sister mines, they were responsible for the erection of the famous Trail Smelter. From the first shipment of ore in 1891 to the Montana Smelter to the final Trail shipment in 1929, the Rossland mines produced over 2,000,000 tons of copper-gold ore valued at $60,000,000.

Since the closing of the mines, the area has seen sporadic and short-lived attempts at production. Leasing became very popular and several individuals made handsome profits in this manner.

In early 1964, 10 individually owned crown grants lying on the west flank of Red Mountain were acquired and formed into a group which was offered to the Torwest interests. It was theorized that these claims lay astride a structure parallelling the famous north break from which the production mines had emerged. In addition, the group contained an old mine — the Jumbo — from which some 30,000 tons of gold-copper ore had been shipped.

The Torwest block is located almost wholly within the Mount Roberts series of sediments and volcanics. No producers of consequence have emerged from this formation. The early production mines of the area lay within the Rossland volcanics, a series of intrusive and extrusive formations of normally siliceous nature.

Before going into the geology of the Torwest ground, it might be well to relate a history of the geological processes that produced the present-day structures. My authority for this is C. W. Drysdale's well-recognized Memoir No. 77 "Geology and Ore Deposits of Rossland, B.C." I quote freely from his report.

During a part of the Carboniferous Period, the district was covered by the ocean, along the shores of which vast amounts of volcanic dust or tuff were deposited in beds along with the normal clays and sands. The sedimentary materials represented by the Mount Roberts formation are all fine-grained and indicate deposition in waters without strong currents.

Near the end of the Paleozoic era, the region was uplifted and began a condition of continental erosion and sedimentation, which has lasted to the present time.

During the Triassic period, an intrution of augite porphyry took place, in the form of sills and irregularly shaped masses, which spread out between the bedding planes of the older formations and probably reached the surface to form agglomerates, tuffs and lava flows.

A most important geological event from the economic standpoint took place towards the close of the Jurassic period, known throughout the Cordilleran region as the Jurassic mountain-making revolution. It gave birth to the Sierra Nevada mountains in the U.S. and the Coast ranges, as well as other ranges in B.C., and was accompanied by much igneous activity and accompanying mineralization. The Trail granodiorite intruded the Rossland formations during this period. A younger but closely related intrusion took the form of an irregular, in places flat lying, monzonite mass.

The Cretaceus period brought with it a long period of erosion, which was followed near the end of this period by the Laramide Revolution which uplifted the whole Cordillera and outlined the present ranges. The Columbia Mountain system, in which Rossland lies, formed one of the axes of maximum uplift and the vein fissures of the mines were probably further shattered and sheared to form channels, possibly, for more mineralizing solutions.

The early Tertiary period continued the erosion and sedimentation cycle. The mid Tertiary saw the intrusion of the widespread Coryell plutonic rocks. At this time, the vein fissures were probably further fractured and the sulphide deposits locally enriched by gold brought in by the alkaline mineralizing solutions connected with the batholith.

During the glacial period, the Cordilleran ice caps which moved over the whole countryside only slightly modified the upland topography.

The work program as set out by Torwest went in this manner. Initial work on the Rossland project began on February 5th, 1964 with the cutting of base and picket lines. A 3600′ baseline was run through the middle of the property on an east-west bearing with north-south picket lines being turned off at 200′ intervals along the line. These picket lines were extended 1000′ in both directions.

Along these cut lines geophysical surveys were conducted by Moreau, Woodward and Company Ltd. of Toronto in late February of that year. The surveys involved consisted of a magnetometer and an electro-magnetic type called Turam.

The electro-magnetic survey located six relatively shallow conductors. The magnetometer survey exposed several high magnetic areas, some corresponding to the electro-magnetic anomalies, others quite independent. It is of interest to note that the surveys only covered the northern half of what is called the "A" zone. The EM survey over this section showed no significant change. The magnetics displayed a strong trend lying off to the east of the "A" zone.

Drilling began on March 3rd, employing one machine of "A" core size and using wire-line equipment. The initial program consisted of checking out the EM anomalies. To this end, six holes proved the anomalous conditions to have been caused by an abnormal concentration of pyrrhotite and pyrite. Three holes in the high magnetic sections proved the existence of heavy pyrrhotite in two cases and strong magnetite in the other. The drill target was now switched to depth testing of the Jumbo mine. Eight holes in this area showed scattered erratic values in gold mineralization that presented no definite pattern. Some of the results obtained ran from a high of 5.16 oz. gold per ton over 6½ feet to a low of .30 oz. per ton across 5 feet. Some 6,978 feet were drilled in this phase of the operation.

In late May with the disappearance of the snow, a surface examination coupled with a sampling campaign was carried out over the claims. From this emerged an area well mineralized in molybdenum in the east half of the Coxey claim. On surface, this represented an area 1200 feet long and 300 feet wide. The samples chipped from the many trenches in this area averaged ¾% to 1% MoS_2 with some running up into the 2% and 3% classification. To initially check this area out, 6 short pack sack holes were distributed along the strike of the structure. Three holes which were put into the "A" zone checked out at .457% MoS_2. Two holes to the south of the "A" zone carried no values, whereas the 6th hole located only 100 feet from the Coxey south boundary intersected scattered values. The stage was now set to investigate this promising area.

Drilling of the moly show began in late June of 1964 and ended Nov. 15 of that year, at which time Metal Mines Ltd. of Toronto assumed the management of the drill program. During this period, three large drills were used, resulting in some 9,647 feet being drilled in the "A" zone, a further 1,255 feet resulted in the "B" zone being located and 896 feet were spent on other interesting molybdenum outcroppings.

The Coxey claim lies on the lower south-west flank of Red Mountain. It rises 600 feet vertically over its 1400 foot width. However, this rise is punctuated by a series of moderately flat plateaus and steep rising slopes, resulting in a terrace effect. This surface expression disappears and gives way to a more even slope as the mountainside is traversed to the north and south of the Coxey claim. Overburden along this westerly slope is relatively shallow. The average thickness in the vicinity of the two ore structures is from one to two feet.

The top of Red Mountain is at an elevation of 5150. The "A" orebody is in the 4500′ elevations, whereas the "B" structure lies at the 4300′ horizon.

The Coxey claim is underlain by a series of tuffs and argillites in which the predominating strike is north-south with a gentle dip to the west. These formations have been intruded by a series of north-south trending andesite and lanprophyre dykes of variable widths which rarely exceed 10 feet. In places, the andesite takes on a sill-like attitude.

Lying immediately south of the "A" zone is a stock-like mass of granodiorite which has been intensely brecciated and recemented. Tongues of granodiorite and diorite extend in random directions from this plug.

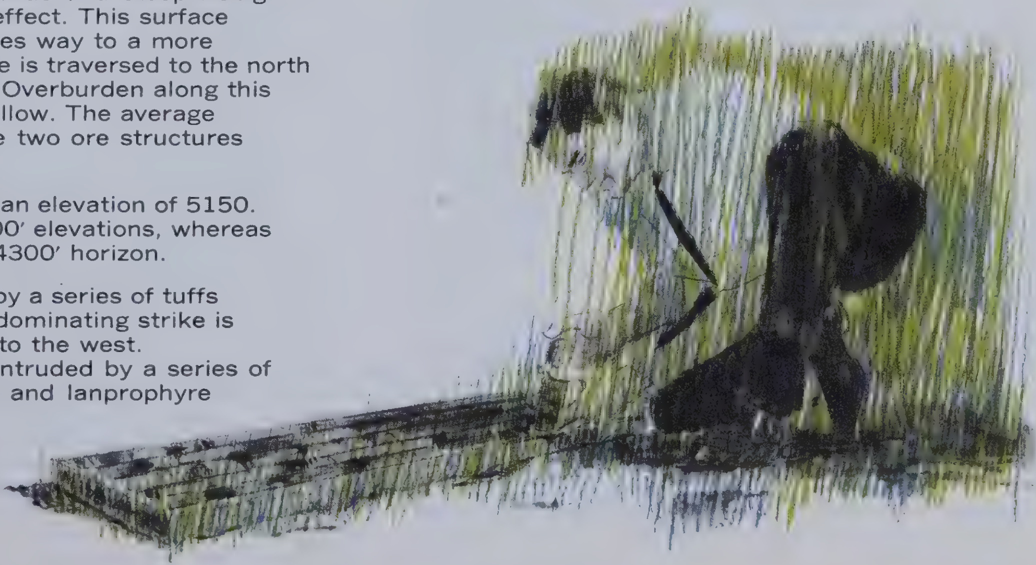
The pyroclastic material covers ¾ of the Coxey claim. The south-west portion of the claim is underlain by argillite.

The tuff beds are represented by distinctly different phases, dependent on their location. In the ore zone drilling, there is a noticeable change at depth. On the surface, a distinct difference exists between the formations lying north and south of the intrusive breccia.

In the "A" ore zone, the tuffs — considered to be of andesitic composition — exhibit a fine grained texture which is oftentimes thinly-bedded and of a grey to greenish-grey colour. Fine magnetite is often distributed along the bedding planes giving the rock a laminated appearance. The area is well brecciated with the fractures being sealed with pyrite, pyrrhotite, molybdenite and occasional quartz and magnetite. In addition, these sulphides appear as a fine dissemination through the formation with an occasional heavy blob or lens. Chlorite, which plays a prominent part in the localization of the molybdenite, is a strong alteration product. It was axiomatic in the "A" zone drilling that where there was no chlorite there was no molybdenite. Where this secondary product was present, the MoS_2 mineralization appeared either along the fringes or as blobs scattered through it.

At a relatively shallow depth, this formation gives way to a multi-coloured, normally well bedded variety of tuff. For lack of a better name, it was called a "skarn tuff." The sulphides, with the exception of molybdenite and magnetite continued on through this formation. The chlorite alteration became noticeably absent. Garnets and epidote appeared. The mottling effect varied from white through pink to purple. No molybdenum values are recorded in this zone.

South of the breccia stock, the tuffs display a bleached appearance, possibly due to hydrothermal reaction



from the magnetic juices. This effect noticeably decreases as the ground is traversed further south of the Coxey claim. Fracturing is strong in this area and MoS_2 mineralization is represented more as a fracture filling than as the dessiminated variety. The pyrrhotite and pyrite, however, appear as a fine salt and pepper effect through the formation. Occasionally, fine molybdenite is associated with these sulphides. No secondary minerals are present.

A rather sharp sulphide association-change takes place almost at the Coxey's southern boundary with the Novelty claim. In a trench some 30′ north of the boundary, the above picture holds true. In a short adit some 50′ south of the boundary within the Novelty claim, one of the prevailing sulphides is arsenopyrite. Gold and sliver values are recorded along with the arsenical iron.

Several isolated instances of agglomerate have been noted in the drill core. Moderate moly mineralization was associated in only one case.

The andesite dykes or sills are a fine to medium grained, light to dark green, homogenous rock. Fracturing is very light, with the result that economic values in MoS_2 are non-existent. In many instances, the andesites resort to a true flow structure exhibiting amygdules or a porphyritic nature.

The granodiorite breccia consists of fragments of a greyish, granular crystalline rock varying from fine to medium grained enclosed in a groundmass of light green, fine grained material. The fragments vary from 1″ in diameter up to huge blocks several feet in thickness. Mineralization is light throughout the plug but commercial values apparently lie along the contact within the tuffs. Occasional evidences of moly rimming fragments have been exposed but normally the extent of these structures is of small proportions.

The argillites of the area form a dark, hard, well bedded formation. No sulphides other than the universal, finely disseminated pyrite has been noted in this strata.

Though the beds of the Mt. Roberts group nearly everywhere dip to the west, there are many local and sometimes abrupt variations both of the dips and strike. Within the Torwest group, the strike is usually north to north-north-west and the angle of the westerly dip commonly varies between 10 and 30 degrees.

A zone of fracturing extending up to 300 - 400 feet wide stretches southward through the Coxey claim. This zone includes the granodiorite plug previously mentioned. Within this area, the rocks are usually highly brecciated presenting on a fresh surface a fragment pattern varying in size from a few inches to many feet in diameter but still preserving their banded structures. This occurrence, evidently formed in post-Jurassic times since the granodiorite also has been included, is classified by Drysdale as being "the most conspicuous zone of brecciation seen in the Rossland area."

Faulting is quite evident in the drill core. Two major lineaments are evinced by drilling, topography and underground exposures. The two faults running north-south and dipping fairly steeply to the east border the "A" zone. The easterly of the two faults has been filled by lamprophyric material. No evidence of the throw or offset is known but the surface exposure of the garnodiorite plug has been moved south on the east side by some 50 - 75 feet through this mechanical action. The westerly fault is exposed in the workings of the lower Coxey tunnel where it displays itself as a quartz filled structure carrying chalco, molybdenite and pyrite over its 2 to 3 feet width. Neither of the structures show a mineral buildup in the near vicinity as would be expected if they served as solution channelways. They are thought to be post mineral faults.

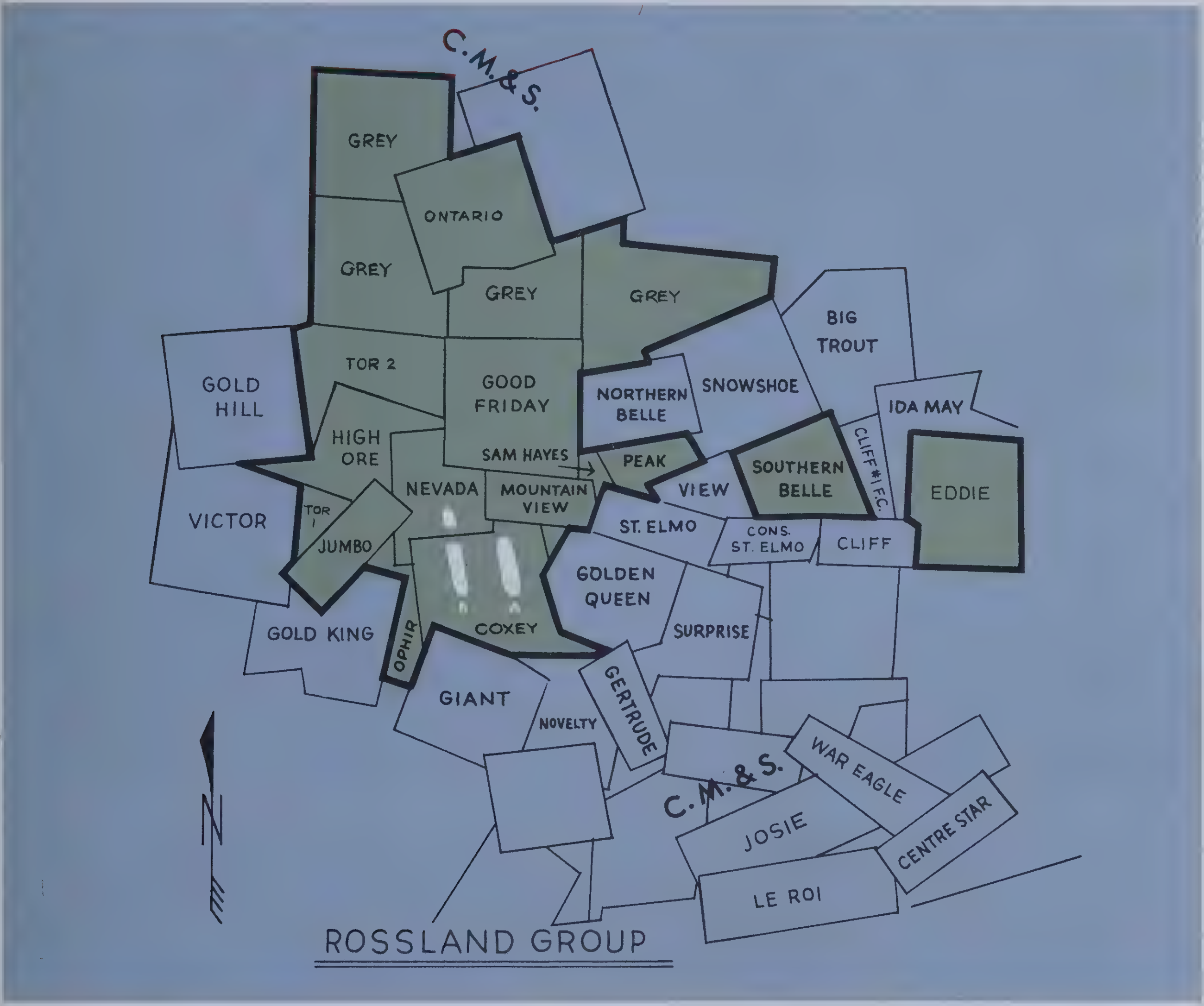
The "A" ore body, as stated, lies between these two fault structures. In dimension, it is roughly 350 feet in a north-south extent and 200 feet in an east-west direction. It has almost a uniform depth of 50 - 55 feet from surface. In cross sections, a very gentle dip to the west is exhibited. Mineralization through the zone is fairly consistent although there are the occasional high-grade sections. Near the south limits as the zone approaches the granodiorite breccia, the mineralization takes on a patchy, finger-like appearance. At depth, as mentioned earlier, there is an abrupt transition from economical to non-commercial ore.

Commercial values in the orebody are contained only within the molybdenite. Chalcopyrite is occasionally present, but in grade and quantity that will in no way interfere with the metallurgy. The highest copper assay obtained was 0.08% across 5 feet. There are no values whatsoever in the precious metals. Reports received concerning the metallurgical tests being conducted by International Nickel say the ore will present no problem whatsoever and that good recovery and grade is expected.

The "B" zone, upon which a limited amount of drilling has been done, is of a different geological nature from the "A". This zone outcrops near the northern boundary of the claim, then rakes south at a 30 degree angle. The average thickness of the zone is from 25 - 30 feet. It has been traced by drill holes for 400 feet to the south in which direction it is still open. Very little drilling has been done on the east-west dimensions. To date, its grade is very similar to the "A" zone. Like the "A", no impurities or by-products are expected.

In the "B" zone, while the mineralization still appear within the tuff classification, its association changes radically. No longer was chlorite a necessary constituent for moly mineralization, the other sulphides, although present, were not seemingly as strong and the tuff became more silicious or adapted a cherty appearance. Another notable feature of the "B" zone is the appearance of the oxidation product, molybdenite, at many locations on surface. There was only one known, very minor instance of this secondary mineral in the "A" zone.

The two mineralized areas are separated by roughly 300 feet of unexplored ground. At the present time, Metal Mines are systematically probing this area with vertical holes at 100 foot spacings. Several of the holes have shown some moly mineralization. Whether these holes are the beginning of a pattern that will link the two structures together will not be known for several weeks yet. It has been theorized that the "B" zone is the remnant down-dip portion of the "A" zone, that uplifting with subsequent erosion has brought the "A" zone to the present surface while removing a portion of the intervening mineralized structure. A mineralized link between the two zones might well give this theory the push necessary into that well-filled geological-theory graveyard.



A few facts and figures before leaving:

1. The location of the "A" zone along a side hill makes the mining operation more along the lines of a quarrying procedure.

2. Stripping ratio on the "A" zone is almost negligible. Mineralization starts from surface and there is very little overburden.

3. On the "B" zone, present thinking is that if a commercial tonnage can be outlined, it will be an underground proposition. If so, the lower Coxey adit, which underlies the zone some 50 feet, could be readily transformed into a haulage adit.

4. When Metal Mines took up their option agreement with Torwest on November 15, 1964, the following drill figures were applicable:

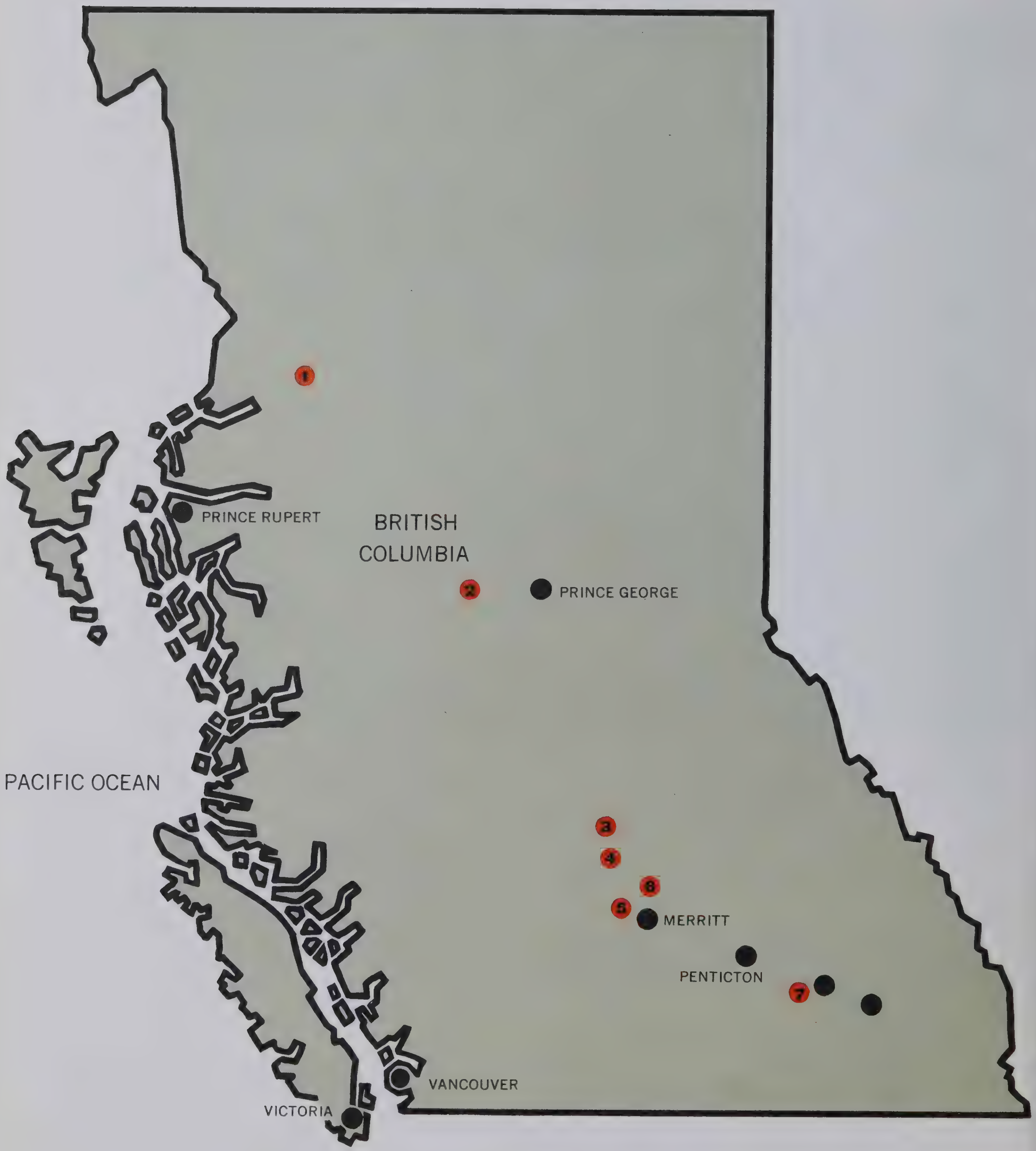
Torwest had drilled 18,776 feet of "A" core in 89 holes. All but 17 holes had to do with the molymineralization. Tonnage calculation at this date was some 340,000 tons of better than .5% grade.

5. Metal Mines check drilling involved "A" and "B" core size drilling on a 50 foot grid completely covering the "A" zone. Their results have substantially verified the Torwest calculations.

Respectfully submitted,

February 22, 1965
Vancouver, B.C.

W. G. HAINSWORTH, B.Sc.,
Consulting Geologist.



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PRINCE RUPERT
BRITISH COLUMBIA
2
PRINCE GEORGE
PACIFIC OCEAN
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MERRITT
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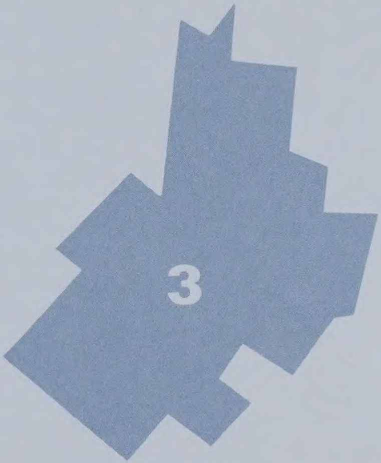
VANCOUVER
VICTORIA

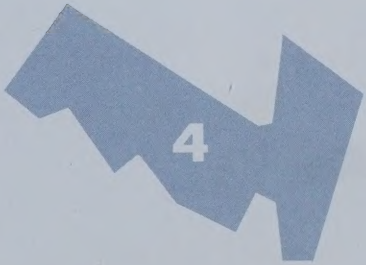
British Columbia

Lakeview Mine

Endako Group



Highmont Group



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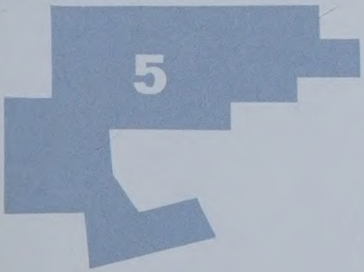
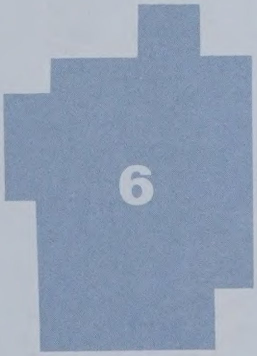
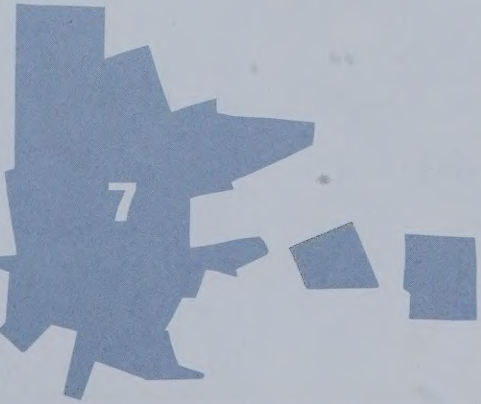


Marb Group



Swakum Mountain



Rossland Group

NORTHERN SASKATCHEWAN

The President and Directors,
Torwest Resources (1962) Ltd.,
404 - 409 Granville St.,
Vancouver 2, B.C.

Gentlemen:

The writer, at the request of the Torwest Management, spent two days, January 14th and 15th, 1965, on examination of the claim group known as CBS No. 301 in Northern Saskatchewan. The examination was hampered by snow, which concealed trenches and pits and made outcrop study an impossibility. As a consequence, this report is based primarily on studies of government reports and an intensive perusal of files of a well-known mining company who did some work on a small portion of the property in 1957.

Location and Access

The claim group, CBS No. 301, is located in Northern Saskatchewan some 12 miles north-west of the Village of Stoney Rapids. Stoney Rapids lies almost 100 miles directly east of Uranium City at the east end of Lake Fond-Du-Lac.

The property contains approximately 2800 acres forming a trapezium-shaped block measuring 3½ miles on its north and south boundaries and 1 mile on the west and 1½ miles on the east boundary. The northern extent of the block lies almost along the south shoreline of Currie Lake. Contained within the block is claim XK-5, retained in good assessment standing until September 1965. Through a previous agreement with the owner, this claim is incorporated into the claim block.

Access to the property can be done only through air travel. Based at Stoney Rapids is a charter aircraft company operated by Arnold Morberg. In Uranium City, there are two charter companies — Sask. Air and M.A.S.L.

Should operations develop beyond the exploration stage, heavy equipment and supplies may be transported in the summer by barge from Waterways, Alberta — a CNR terminal — down the Athabasca River and along Lake Athabasca to Stoney Rapids, a distance of some 350 miles.

Topography

The land rises in the typical Shield manner from the lake level of 699 feet at Fond-Du-Lac through a series of sharp ridges to an elevation of approximately 1000 feet at Currie Lake.

The topography is predominately east-west. The low ground between the ridges is normally occupied by a water system of lakes, streams or marshes emptying to the west.

History

The area has seen sporadic but intensive interest. In 1914, diamond drilling took place in the vicinity of Dardier Point.

In 1929 and 1930, Dominion Explorers Ltd. carried out extensive development work on a nickel-copper structure in the Axis Lake area. Further work in 1952-53 by Technical Mines Consultants of Uranium City indicated a deposit of 4,000,000 tons grading 0.6% nickel and 0.6% copper.

In addition, good grade mineralization has been turned up at Reeve Lake, Father Lake, Koskawan and and Cora Lake areas.

General Geology

Extending from Stoney Lake north-west to Axis Lake then south-west to Fond-Du-Lac is a large crescent shape body of basic to ultra-basic material. Intrusive into the metamorphased Tazin sediments, it would appear that this body was emplaced prior to local folding.

Hydrothermal alteration coincident with lodgment of the intrusive has resulted in a series of variably altered gneisses. In some localities, the metamorphism has been of a slight nature with the result of field recognition of quartzites and greywackes.

Extending off the western flank of the intrusive and appearing in decreasing numbers to the north are narrow but lengthy basic dykes. Government mapping show several of these dykes to lie within CBS No. 301.

From Fond-Du-Lac north through Axis Lake, Currie Lake to Little Crow Lake, the fault structures appear to follow two well-defined patterns; an east-west trend and a northeast-southwest strike. Offsetting does not appear to be on any great scale but their location apparently served as boundaries for the intrusive dykes.

Mineralization has seemingly followed the Channelways developed by the faults and oftentimes utilized by the dykes. The sulphides lie within the basic intrusives as magmatic segregation normally within close proximity to the previous mentioned structures.

Showings

The showings are located in the south half of XK-5 claim. There are reported to be four trenches extending over an east-west length of 1000 feet. Snow conditions permitted the location of only one trench — the No. 1 Trench.

This cut lies at the crest of a steep rocky knoll. The trench measures 28 feet in length, 3½ feet in width and varies from one to five feet in depth. It has been put down across a well mineralized dyke exposing a width of some 20 feet. Strike of the dyke is roughly east-west with seemingly a vertical or slightly north dip. Light coloured country rock is exposed at both ends of the trench.

The mineralization is predominately pyrrhotite with light splashes of chalcopyrite. The form of deposition runs more to a massive segregated variety, although several fractures were noted carrying the sulphides.

The writer cut three samples along the length of the cut. The last 3½ feet of the cut contained sparse mineralization; therefore, was not sampled.

Sample No.	Width	Location	Au	Ag	Cu	Ni
9006	10′	South end	Tr	.40 oz/t	.45%	1.24%
9007	8½′	Middle	.01 oz/t	Tr	.40%	0.74%
9024	6′	North end	.01 oz/t	.70 oz/t	.35%	1.00%
	Average 24½′		.006	.34	.41	1.01

These assay results are in close agreement with those taken by C. Ball of Canadian Aerial Exploration Co. Ltd. in 1956. His average over 21½ feet ran to 1.05% nickel and 0.52% copper.

Trench No. 2, some 85 feet to the west, was not located. Samples taken by Ball in 1956 indicated a width of 18 feet, grading 0.92% nickel and 0.36% copper.

The two assessment trenches lying some 800 - 900 feet east of No. 1 trench could not be detected beneath the snow. Ball's sampling on one of the trenches showed very low grade material.

Previous Work

Canadian Explorations Ltd. optioned the property in the latter part of 1956. They relinquished the option in June of 1957.

During this short period, the company carried out a limited surface magnetometer survey covering some three miles based on 200 feet line spreads and did some 1000 feet of diamond drilling in the immediate area of the showing.

In conversation with Mr. Ball, the writer gained the impression that, despite rather weak drill results, Canex would have continued work on the property had it not been for a heavy option payment coming due.

The magnetometer survey had the unfortunate distinction of passing one line directly over the No. 1 showing with strong results, but showing little on adjoining lines. No intermediate lines were run in the vicinity of the showing.

Four drill holes were put in from two set-ups. Hole C-1, a 45° boring, was set-up 75 feet south of No. 1 showing. It cut 18½ feet of 1.37% nickel and 0.25% copper. From the same location, a vertical hole went down some 290 feet. When the hole returned no values, a 63° hole was then put in under the 45°. It produced very weak results. Hole C-4 was then located 100 feet west of this cluster. It was put down as a 45° hole drilling north-west, parallel to the other holes. The results were negative. No further work followed the drilling.

Conclusion and Recommendations

Despite the poor results obtained by previous drilling, the writer feels that the property still has merit.

From magnetometer maps and drill sections kindly shown to the writer by the Canex office, I feel there is some room for doubt that the mineralized dykes cut in the trenches may not be one and the same. If this is so, the intersection cut in hole C-1 may not be that in the trench under which the drill was set up.

CLAIM LOCATION & GENERAL GEOLOGY
Northern Saskatchewan